

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D C. 20523

THE ADMINISTRATOR

PD-15
September 13, 1986

USAID

POLICY DETERMINATION

Assistance to Support Agricultural Export Development

A. Introduction

The goal of USAID agricultural development assistance is to help the developing countries achieve food self-reliance, which represents a balanced approach to addressing the problem of hunger. Food self-reliance involves supporting (1) the production of agricultural commodities that are economically viable to produce, (2) more efficient food distribution, (3) expanded purchasing power, and (4) international trade.

Although USAID encourages international trade as one important element of the development process, the Agency is concerned about potential injury to U.S. agricultural exports. USAID does not intend to support production of agricultural commodities for export that are likely to have a significant impact on competing U.S. exports.

B. USAID Policy

USAID assistance fosters the food security objectives of developing countries. Long-run food security, as defined in USAID's Food and Agricultural Development Policy Paper (May 1982), is the ability of a country to assure a nutritionally adequate food supply to its population on a continuing basis. This can result from a combination of domestic production and importation of food on commercial terms paid with foreign exchange earnings. Comparative advantage provides the conceptual underpinning governing the decision of which commodities to produce, whether for domestic consumption or for export.

Food security defined in this way is consistent with a strategy of food self-reliance, rather than a strategy of food self-sufficiency. Food self-reliance recognizes that a country's food supply can be assured not only through increased domestic food production and more efficient food distribution, but also through expanded purchasing power and international trade, including intra-regional trade.

In this context, it is USAID policy to avoid supporting the production of agricultural commodities for export by developing countries when the commodities would directly compete with exports of similar U.S. agricultural commodities to third countries and have a significant impact on U.S. exporters.

This policy supplements, but does not supersede, PD-71 which applies to three commodities (palm oil, citrus, and sugar) produced in the developing countries

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and exported to the U.S. or to third countries in direct competition with U.S. producers.

C. Implementation

To comply with Agency policy on this issue and with applicable statutory requirements, Missions will examine whether or not an activity designed to increase the production of a particular commodity for export can reasonably be expected to have a significant impact on U.S. exports of that or a similar commodity. Proposed activities, as well as components of on-going activities for which funds have not yet been obligated, that are likely to have a significant impact on exports of U.S. agricultural commodities to third country markets will not be funded.

USAID/Washington will regard the agricultural export dimension of all projects as an important policy issue when considering New Project Descriptions (NPDs) included in Mission Action Plans. Proposed projects likely to have a significant impact on U.S. agricultural exports to third countries will not be approved at the NPD stage. If a determination cannot be made on the basis of the information provided in the NPD, a Project Identification Document (PID) may be developed, but the PID will be reviewed in USAID/Washington, not in the field. This is consistent with current Delegation of Authority procedures regarding projects having special policy concerns.

Examination of the export dimension of on-going and proposed projects will include consideration of the following factors:

- export potential of the commodity in question;
- magnitude of production likely to result from the project;
- likely export markets;
- volume of U.S. exports of the commodity in question and similar commodities;
- U.S. share of the world or regional market that could reasonably be expected to be affected by increased exports of the commodity.

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Administrator

Date